

ARLINGTON FINANCE COMMITTEE
MINUTES OF MEETING
POLICE MEETING ROOM
9/10/14

ATTENDEES:

Deyst*	White*	Caccavaro*	Kellar*	McKenna*
DeCoursey*	Connors*	Simmons*	Gibian	
Tosti*	Foskett*	Bayer*		
Kardon*	Beck*	Jones*	Deshler*	
Franclemont*	Howard*	Fanning*	Carman*	Turkall*

VISITORS: Town Manager Adam Chapdelaine, Deputy Town Manager Andrew Flanagan, Management System Analyst Eve Margolis

LONG RANGE PLAN: Chapdelaine walked the FinCom through the current long range plan (Ref 1). Unrestricted state aid increase is 1% per year. School aid increase is based on enrollment increase. School construction reimbursements drop off starting in FY18. Although local receipts in FY14 were much higher than expected, they were mostly one time payments hence no increase in the predicted receipts. There will be no withdrawal from the override stabilization fund until FY 16. This fund will be exhausted in FY19. A conservative new growth estimate leads to a 2.64% increase in the property tax revenue. The general education budget includes the growth factor from FY15 and a 3.5% increase. The growth factor is based on 200 new students and the state per pupil cost. (refer to footnote on Ref 1). The kindergarten income is fixed by agreement with the schools. The net school budget increase is 5.8%. The Minuteman increase, 3.5%, assumes no new capital expense. The Town increase is 3.5%. Members questioned this number, which has been used for several years, since inflation is much less.

Likewise the insurance increase is projected at 7% although a much lower increase is expected from the GIC. Members stated that a more realistic projection is highly desirable to encourage realistic planning. Members questioned the amount set aside for snow and ice deficit, Item I, given the increase in the snow and ice budget and the reserve fund. The deposit into the override stabilization fund is \$1.2m. There was general agreement that the long range planning committee needs to sharpen its pencils.

MINUTEMAN: Chapdelaine reported that 10 communities approved the revised regional agreement, 5 took no action and one voted no. He believes the smaller communities, which were less familiar with the issues because they have had such a small stake in the school, are beginning to understand. He still hopes that an agreement can be reached. One possibility would be an inter-town agreement concerning the cost of sending students from communities that had left the district under the new regional agreement, should it pass. It is our belief that this cost should include capital costs. The district is now considering a smaller school (628) which should lead to less expensive capital costs. Chapdelaine said that if no agreement is reached, a "more radical" solution will be needed.

TRANSFER Capdelaine requested funds (Ref 2) to pay for Phase 3 (interior work) on the Community Safety Building. This is needed because of an error in the capital budget. The earlier work is largely complete except there is a dispute over whether the wall facing the residential building is watertight. Last year's \$100,000 transfer will cover most but probably not all of the overrun on Phase 2. Other available funds may be used. VOTED to transfer \$109,995 to supplement Phase 3 design costs in the capital budget. Unanimous..

ELECTION: Turkall conducted an election of officers for 2014-2015. All current officers were reelected unanimously: Chair Allan Tosti, Vice Chairs Richard C Fanning, Alan Jones, Charles T Foskett, Secretary Peter B Howard.

COMMITTEE: There are 3 vacancies: Pcts 1, 4, 18. With 2 at-large members, the FinCom is short one. Nominees wanted. Will be advertised.

There is no representative to Vision 2020. Bayer, who held this appointment for 4 years, described the duties and rewards. A volunteer desired.

Next meeting 1st week of February.

RESERVE FUND: \$1,000,000 - \$109,995 = \$890,005

Peter Howard 9/11/14

Ref 1 Long Range Projection FY 2015-2020

Ref 1a Long Range Projection footnotes

Ref 2 Memo Chapdelaine to FinCom, Community Safety Building...

Long Range Projection 2015-2020

FY 2015 Annual Budget

Finance Committee Meeting

September 10, 2014

	FY 2015	FY 2016	Dollar Change	Percent Change	FY 2017	Dollar Change	Percent Change	FY 2018	Dollar Change	Percent Change	FY 2019	Dollar Change	Percent Change	FY 2020
I REVENUE														
A. State Aid	17,483,373	17,850,861	367,508	2.10%	18,069,063	218,183	1.22%	18,257,927	188,864	1.05%	18,535,981	278,053	1.52%	18,735,22
School Construction Aid	2,474,773	2,474,773	0	0.00%	2,474,773	0	0.00%	1,615,914	(858,859)	-34.70%	476,523	(1,139,391)	-70.51%	476,52
B. Local Receipts	8,821,000	8,871,000	50,000	0.57%	8,921,000	50,000	0.56%	8,971,000	50,000	0.56%	9,021,000	50,000	0.56%	9,071,00
C. Free Cash	3,042,925	3,000,000	(42,925)	-1.41%	1,500,000	(1,500,000)	-50.00%	1,500,000	0	0.00%	1,500,000	0	0.00%	1,500,00
D. Overlay Reserve Surplus	350,000	200,000	(150,000)	-42.86%	200,000	0	0.00%	200,000	0	0.00%	200,000	0	0.00%	200,00
E. Property Tax	104,560,424	107,319,687	2,759,264	2.64%	110,176,763	2,857,076	2.66%	113,118,652	2,941,889	2.67%	116,347,737	3,229,085	2.85%	119,482,30
F. Override Stabilization Fund					3,450,032			6,423,771			9,334,787			
TOTAL REVENUES	136,732,494	139,716,341	2,983,847	2.18%	144,791,633	5,075,292	3.63%	150,087,265	5,295,633	3.66%	155,416,028	5,328,762	3.55%	149,465,05
II APPROPRIATIONS														
A. Operating Budgets														
School	50,729,968	53,671,344	2,941,376	5.80%	56,442,092	2,770,748	5.16%	59,288,965	2,847,873	5.05%	62,468,447	3,178,482	5.36%	65,641,03
General Education Costs	32,518,318	34,572,590	2,054,271	6.32%	36,431,886	1,859,296	5.38%	38,031,630	1,599,744	4.39%	39,622,439	1,590,809	4.18%	41,460,45
Special Education Costs*	16,356,500	17,501,455	1,144,955	7.00%	18,726,557	1,225,102	7.00%	20,037,415	1,310,859	7.00%	21,440,035	1,402,619	7.00%	22,940,83
Kindergarten Fee Offset	970,000	970,000	0	0.00%	970,000	0	0.00%	970,000	0	0.00%	970,000	0	0.00%	970,000
Growth Factor	885,150	627,300	(257,850)	-29.12%	313,650	(571,500)	-64.57%	250,920	(682,730)	-73.41%	435,874	(246,856)	-27.81%	289,73
Net School Budget	50,729,968	53,671,344	2,941,376	5.80%	56,442,092	2,770,748	5.16%	59,288,965	2,847,873	5.05%	62,468,447	3,178,482	5.36%	65,641,03
Minuteman	3,788,615	3,921,217	132,602	3.50%	4,058,459	137,243	3.50%	4,200,505	142,046	3.50%	4,347,523	147,018	3.50%	4,489,68
Town	23,991,930	24,831,648	839,718	3.50%	25,700,755	869,108	3.50%	26,600,282	899,526	3.50%	27,531,292	931,010	3.50%	28,464,88
Expenses	9,388,928	9,717,540	328,612	3.50%	10,057,654	340,114	3.50%	10,408,672	352,018	3.50%	10,774,011	364,339	3.50%	11,151,10
Less Offsets:														
Enterprise Fund/Other	1,988,367	2,057,950	69,583	3.50%	2,128,968	72,029	3.50%	2,204,538	74,550	3.50%	2,281,697	77,159	3.50%	2,361,55
Net Town Budget	31,392,491	32,491,228	1,098,737	3.50%	33,628,421	1,137,193	3.50%	34,805,416	1,176,985	3.50%	36,023,605	1,216,190	3.50%	37,284,43
MMWRA Debt Shift	5,593,112	5,593,112	0	0.00%	5,593,112	0	0.00%	5,593,112	0	0.00%	5,593,112	0	0.00%	5,593,11
B. Capital budget														
Exempt Debt Service	2,771,358	2,635,325	(136,033)	-4.91%	2,524,722	(110,603)	-4.20%	2,424,741	(99,981)	-3.96%	1,396,516	(1,028,225)	-42.41%	1,335,23
Non-Exempt Service	5,796,300	6,323,983	525,683	9.07%	6,878,068	555,085	8.78%	6,089,753	(789,315)	-11.47%	6,062,700	(27,053)	-0.44%	6,087,77
Cash	1,554,300	1,389,400	(164,900)	-11.90%	1,407,525	38,125	2.78%	1,250,963	(156,562)	-11.12%	1,389,577	138,614	11.08%	1,389,57
Minus Capital Carry Forward	(205,600)	(422,600)	(217,000)	-105.54%	(430,600)	(8,000)	-1.89%	(130,600)	300,000	-69.67%	(130,600)	0	0.00%	(130,600)
Total Capital	9,918,358	9,906,108	(12,250)	-0.12%	10,360,715	474,607	4.79%	9,634,857	(745,858)	-7.79%	8,716,193	(916,664)	-9.51%	8,687,98
C. Pensions	8,643,368	9,161,970	518,602	6.00%	9,711,688	549,718	6.00%	10,294,390	582,701	6.00%	10,912,053	617,663	6.00%	11,566,77
D. Insurance	15,406,731	16,818,460	1,211,729	7.86%	17,853,044	1,234,585	7.43%	19,163,784	1,310,740	7.34%	20,618,705	1,454,921	7.59%	22,137,12
E. State Assessments	3,071,435	3,148,221	76,786	2.50%	3,226,926	78,706	2.50%	3,307,600	80,673	2.50%	3,390,290	82,690	2.50%	3,475,04
F. Offset Aid - Library & School	63,866	63,866	0	0.00%	63,866	0	0.00%	63,866	0	0.00%	63,866	0	0.00%	63,866
G. Overlay Reserve	600,000	800,000	200,000	33.33%	600,000	(200,000)	-25.00%	600,000	0	0.00%	800,000	200,000	33.33%	600,000
H. Fixed Costs - Res. Fund & Elections	1,131,005	1,050,000	(81,005)	-7.16%	1,150,000	3,200	0.25%	1,050,000	(100,000)	-9.09%	1,150,000	200,000	33.33%	1,050,000
I. Other - Cnt Judgment/Deficit Symmes	1,277,750	1,274,675	(3,075)	-0.24%	1,277,875	3,200	0.25%	1,278,338	463	0.04%	1,271,250	(7,088)	-0.55%	1,273,22
J. Warrant Articles	805,433	805,433	0	0.00%	805,433	0	0.00%	805,433	0	0.00%	805,433	0	0.00%	805,433
K. Override Stabilization Fund	4,310,362	1,210,707	(3,099,655)	-71.91%										
TOTAL APPROPRIATIONS	136,732,494	139,716,341	2,983,847	2.18%	144,791,633	5,075,292	3.63%	150,087,265	5,295,633	3.66%	155,416,028	5,328,762	3.55%	149,465,05
BALANCE	0	0			0			0			(746,449)			(13,206,66)
Surplus / (deficit) to carryover to next year	0	0			0			0			(746,449)			(13,206,66)
Reserve Balances														
Free Cash	6,000,000	3,000,000	(3,000,000)	-50.00%	3,000,000			3,000,000			3,000,000			3,000,000
Stabilization Fund	2,774,188	2,957,414	183,226	6.61%	3,146,136	171,722	5.46%	3,340,520	194,384	5.84%	3,540,736	200,216	6.00%	3,746,95
Override Stabilization Fund	17,997,883	19,208,590	1,210,707	6.73%	15,758,558	(2,239,325)	-14.21%	9,334,787	(6,423,771)	-40.59%	0	(9,334,787)	-100.00%	0
Tip Fee Stabilization Fund	0	0			0			0			0			0
Municipal Bldg Ins. Trust Fund	771,724	794,876	23,152	3.00%	818,722	23,846	2.92%	843,284	24,562	2.97%	868,582	25,298	2.99%	894,64
TOTAL:	27,543,795	25,960,879	(1,582,916)	-5.75%	22,723,416	(4,820,379)	-21.22%	16,518,591	(6,204,825)	-37.43%	7,409,318	(9,109,277)	-55.19%	7,641,56
% of General Fund Revenue	20.1%	18.6%			15.7%			11.0%			4.8%			5.1%

	FY 2014-15**	FY 2016*	FY 2017*	FY 2018*	FY 2019*	FY 2020*
Projected Annual Growth	281	200	100	80	139	86
Cumulative Growth	281	481	581	661	800	886
** Actual Growth - Based on 25% of Former DESE Per Pupil Cost of \$12,600 = Growth Factor of \$3, 150 X Enrollment Growth						
* Projected Growth- Based on 25% of Current DESE Per Pupil Cost of \$12,546 = Growth Factor of \$3, 136.50 X Enrollment Growth						

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Cumulative Growth	281	481	581	661	800	886
** Actual Growth - Based on 25% of Former DESE Per Pupil Cost of \$12,600 = Growth Factor of \$3, 150 X Enrollment Growth						
* Projected Growth- Based on 25% of Current DESE Per Pupil Cost of \$12,546 = Growth Factor of \$3, 136.50 X Enrollment Growth						



**Town of Arlington
Office of the Town Manager**

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To: Members of the Finance Committee

From: Adam Chapdelaine, Town Manager

RE: Community Safety Building – Phase 2 Update/Phase 3 Reserve Fund Request

Date: September 10, 2014

I am writing to the committee to provide an update on the status of Phase 2 of the Community Safety Building Renovation project and also to request a Reserve Fund Transfer to mitigate a shortfall in the funding of the Phase 3 design budget for the Community Safety Building (CSB).

In regard to Phase 2, the Permanent Town Building Committee (PTBC) continues to work with WES Construction (WES) to bring the project to completion. At this time, the only significant outstanding issue is the west curtain wall (the window wall facing Cusack Terrace). It is the opinion of the PTBC and its consultants that the west curtain wall has not satisfactorily passed water testing as required by the product specifications. However, WES believes that the west curtain wall has passed the test. There is also a disagreement regarding whether the curtain wall leaks during rain events, but both parties have agreed to meet on site during the next significant rain event to inspect the performance of the curtain wall. Assuming resolution of this issue, the PTBC has agreed in principle with WES to close-out the project with a payment of \$100,000 to WES. This payment would be made from the \$100,000 set aside by the Finance Committee last year as a legal contingency for this project. This decision has been reached after careful legal analysis by both Town Counsel and outside counsel with expertise in construction law. Reaching such a settlement would avoid the more costly route of either pursuing or defending claims regarding the project.

Also, related to close out of Phase 2, there had been a shortfall of \$75,000 linked to ongoing construction administration and engineering costs associated with the west curtain wall. A description of how that shortfall was handled will be provided later in this memorandum.

In regard to Phase 3, the FY2015 Capital Budget included a design appropriation of \$373,505. However, due to a transcription error between the PTBC and the Capital Planning Committee (CPC), this budgeted amount was short of the actual \$483,500 that was needed to execute the design contract. This leaves a shortfall of \$109,995 needed prior to executing the design contract. In order to bridge this gap, I am requesting a Reserve Fund Transfer of \$109,995. However, I would also like to provide the committee with a breakdown of the efforts that were made to fund this shortfall prior to considering this Reserve Fund Transfer request.

During the summer we learned that the winning bid for the Central Fire Station project was below the budget that was included in the FY2015 Capital Budget. We also learned that our legislative delegation was successful in having a \$50,000 earmark included in the FY2015 State Budget for the Central Fire Station project. Based on this information, we projected a \$343,111 surplus for the Central Fire Station as demonstrated below:

Central Fire Budget - FY2015 Capital Budget	\$6,500,000
FY 2015 State Budget Funding for Central Fire	\$50,000
<u>Central Fire Projected Costs (Inclusive of 7% Contingency)</u>	<u>(\$6,206,889)</u>
Available Funds	\$343,111

Based on this, I met with the Chair of the PTBC, the Chair of the CPC, and the Deputy Town Manager to discuss covering both the Phase 2 shortfall of \$75,000 that I mentioned earlier along with the \$109,995 shortfall related to Phase 3 with these surplus funds. The plan that we discussed and agreed to in principle was as follows:

CSB Phase 3 Design Costs	(\$483,000)
FY 2015 Capital Budget - CSB Phase 3 Design	\$373,505
CSB Phase 2 Current Constr. Admin & Eng. Liability	(\$50,000)
CSB Phase 2 Projected Constr. Admin. & Eng. Liability	(\$25,000)
Projected Shortfall	(\$184,495)
Projected Surplus Funds from Central Fire	\$343,111
Remaining Funds Available if Central Surplus Used for CSB Shortfall	\$158,616

However, after this plan was discussed and agreed upon, we learned that the Comptroller and the Department of Revenue would not condone moving forward with such a transfer. This is an issue we are still exploring, but due to the time sensitivity of the CSB issues, we moved forward with an alternative strategy as follows:

Balance of Unencumbered Funds from CSB Phase 2	\$35,894.74
Police Department Expense Budget	\$35,000.00
Revised Phase 2 Ammondson Invoice # 0002389-01	(\$35,894.74)
Phase 2 Ammondson Invoice # 0002398	(\$21,640.49)
REMAINING FUNDS	\$13,359.51

This plan required negotiation between the PTBC and the architect to slightly reduce the projected construction administration and engineering liability. This plan also did not address the shortfall for the funding of Phase 3 design. After considering the possible options and discussing the matter with the Chair of the CPC, we are requesting the transfer tonight to close the shortfall.

FY 2015 Capital Budget - CSB Phase 3 Design	\$373,505
CSB Phase 3 Design Costs	(\$483,500)
RESERVE FUND TRANSFER REQUEST	(\$109,995)